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ABSTRACT

School franchising (defined as the replication of a particular product or service across a wide geographic region) marks a radical departure from the traditional view of the community-based neighborhood school. This paper reports on a study of a growing niche of charter school private management contracts in Massachusetts. The focus is on the factors facilitating these schools' growth so as to provide a description of two of these unique partnerships (Edison Project and the Sabis School Network). The report is driven by four questions: 1) how are for-profit management firms gaining contracts with charter schools in Massachusetts?; 2) why are private management firms' contracts with charters growing in Massachusetts?; 3) how are the private management firms operating the charter schools in Massachusetts? and 4) how do charters managed by private firms compare to more traditional charters? Through these questions, information regarding ways in which contractor and charter are linked to policy makers interested in the growing population of charters schools managed by for-profit firms is presented. An analysis of the operation of public charter schools by two for-profit firms in Massachusetts shows how private management and charter schools are overlapping, revealing the implication for future opportunities to "franchise" an educational model. The analysis includes an investigation of the regulatory issues dictating the relationship between private management firms and public schools. (Contains 58 references.) (RJM)

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Franchising Public Education: A Study of the Linkage of Charter Schools and Private Education Management Companies in Massachusetts

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TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

America is a country of franchises. We have fast food franchises, convenience store franchises, furniture franchises and automotive service franchises just to name a few. Our propensity for franchises is an indication that we like the familiar and that creating copies of a successful service or product makes good business sense. McDonald's is essentially the same in Springfield, Vermont, Springfield, Illinois and Springfield, California and we take comfort in the fact that we know what we will get when we order a particular item regardless of the location. However, to date we have not developed comparable public school franchises. While certain best or accepted practices such as hiring certified teachers or requiring particular literary selections are similar in almost all public schools, schools are still unique primarily due to state and local policies. The current growth of private, for-profit entities managing public charter schools may potentially become the first example of "franchised" public schools.

The idea of franchising schools is a radical departure from the traditional view of the community based neighborhood school. For the purpose of this investigation, the concept of franchising is simply the replication of a particular product or service across a wide geographic region. Franchising encompasses more complex economic theories regarding competition and market monopolies; however, these theories are beyond the scope or purpose of this research. Therefore, for the purpose of this research, the notion of franchising simply refers to one vendor replicating their product or services in a number of different locations. Analogous to the Burger King Whopper or the Seven-Eleven Big Gulp, charter schools managed by a particular firm may essentially be the same in Massachusetts, Michigan, or Arizona. Putting aside the likely debate about the relative merits of the concept of franchised public schools for the time being, it is

important to recognize that it is a phenomenon currently emerging and therefore worth investigation.

Research Questions

The objective of this research is to study the small but growing niche of charter school private management contracts in one state in order to understand the factors facilitating their growth and provide a description of two of these unique partnerships.

This research is driven by four principal questions:

1) How are for-profit management firms gaining contracts with charter schools in Massachusetts? What legal and regulatory process governs these contracts?

2) Why are private management firms' contracts with charters growing in Massachusetts?

3) How are the private management firms operating the charter schools in Massachusetts?

4) How do charters managed by private firms compare to more traditional charters?

By addressing these four questions, I will provide information regarding the linkage between contracting and charter to policy makers interested in the growing population of charters schools managed by for-profit firms "franchising" their education model. Through an analysis of the operation of public charter schools by two for-profit management firms in Massachusetts, I draw conclusions regarding how private management and charter schools are overlapping and the implication for future opportunities to "franchise" an education model. The analysis includes an investigation of the legal and regulatory issues dictating the relationship between private management firms and public schools and a profile of the structure of the schools created and managed by the firms. I present contrasts between these charter schools and what is currently

known about charter schools in general. Finally, I draw preliminary conclusions regarding the policy implications for other states and individual districts considering awarding charters to or sub-contracting with for-profit firms.

The focus of the research is charter schools in Massachusetts managed by the Edison Project and the Sabis School Network. I selected Massachusetts because its charter law allows charter schools to sub-contract to private, for-profit entities. I selected the Edison Project and Sabis School Network because they hold two of the first management contracts for charter schools in the country and each operate two schools in Massachusetts as well as in a few other locations across the United States.

Private Contracting in the Context of Education Reform

Market based reforms such as school vouchers, charters and private contracting of public schools were introduced and strongly advocated by a public anxious to improve student achievement (Chubb & Moe, 1991; Jost, 1994; Lieberman, 1989; Molnar, 1996). Private contracting of school operations and instructional programs is a particularly contentious reform because it provides private entities the opportunity to earn a profit from managing a public school (Murphy, 1996; Bushweller, 1997; Richards, Shore, & Sawicky, 1996; Vine, 1997).

From the perspective of potential investors, public education is a market primed for the infusion of private investment due to growing public dissatisfaction and the large, relatively stable budget supported by local, state, and federal funds (Education Industry Report, 1995; EduVentures, 1998; Lehman Brothers, 1996; Moe & Gay, 1996). Business entrepreneurs, largely

from outside the field of education, have formed organizations to operate public schools in exchange for management fees or profit (Steeklow, 1997; Moe & Gray, 1996; Lehman Brothers, 1996). In reference to the widespread growth of for-profit health maintenance organizations (HMO's), the small but growing universe of for-profit education management organizations have been coined Education Management Organizations (EMO's) (Lehman Brothers, 1996; Education Industry Report, 1995; Bushweller, 1997). According to analysts from Lehman Brothers' education group:

> ...the health care industry 20 years ago and the education industry today have several similarities that, given the massive private sector growth of the health care sector, make the education sector extremely attractive to investors who are willing to take a lesson from history. About 20 yeas ago, public policy researchers described a system in which reimbursement was guaranteed for costs that were neither controlled by competition or regulated by public authority, and in which no motive for economy could be discerned. Although they were talking about the U.S. health care system, we believe that the same sentence could be written about the U.S. education system today (Lehman Brothers, 1996, p. 7).

Investors have bought into this projection and invested in privately and publicly held companies such as the Edison Project, Sabis International, the Tesseract Group (formerly Education Alternatives Incorporated), and Beacon Education Management (formerly Alternative Public Schools). These firms entered the education management business and met with varying degrees of success based most crudely upon whether or not their contracts were renewed or

canceled prematurely. Primarily in response to unsuccessful attempts at large scale privatization in cities such as Baltimore and Hartford, EMO's have refocused their efforts from district wide to single school contracts through public school charters.

State charter school laws allow a wide variety of organizations to manage public schools and have enabled private firms to operate charter schools. Charter laws allow private firms greater access to public schools previously politically challenged while simultaneously granting increased freedom not enjoyed through more traditional public/private management contracts. As charter schools continue to open at a rapid rate (780 opened in less than 8 years) and new states pass charter school laws, private, for-profit management of charters will undoubtedly grow (EduVentures, 1998; Vine, 1997).

Current Status of Charters and Management Contracts

According to the Center for Education Reform (CER), there are currently a total of nearly 1,000 charter schools currently operating or approved for operation in fall of 1998 (1998). As of June 1998, 32 states and the District of Columbia have charter school laws on the books (Charter School Listserv, 1998). Of the growing universe of charter schools, private management firms currently manage charters in 7 states representing slightly less than 10% of all charters in the country (Schnaiberg, 1997b; Ackerman, 1998). This number will increase in the fall of 1998 as a number of states have already approved additional charters that will be managed by for-profit firms.

According to EduVentures, American's currently spend more than $670 billion dollars on education each year. EduVentures is a Boston based research firm involved with tracking the for-

profit education industry (Sandler, 1997a). This $670 billion dollar amount accounts for all public and private expenditures on education. For-profit education companies account for nearly $64 billion. This includes for-profit involvement in schools, services, and products. The largest portion of the for-profit market is in the areas of publishing, school supplies, childcare, add-on services such as tutoring, corporate training and post-secondary and vocational education (EduVentures, 1998) Within the schools sector, total revenues for K-12 proprietary, charter schools, and contract managers accounted for $1 billion in 1997 (EduVentures, 1998). The factors reportedly driving growth in the K-12 school sector are "increasing public dissatisfaction with traditional public education, growing interest in experiments with charter schools and possibility of vouchers" (1998, p. 3). The critical issues for private management are "legal and political liability, government monopoly of public education, start-up costs, AFT/NEA influence, [and] highly publicized problems with early for-profit ventures" (EduVentures, 1998, p. 3). EduVentures CEO, Michael Sandler advises investors to watch private management of charters. EduVentures projections for growth in the education industry are echoed in other articles in the The Education Industry Report, The Wall Street Journal and by critics strongly opposed to its growth (Education Industry Report, 1995; 1997; Stecklow, 1997; Vine, 1997).

As demonstrated by the data presented above regarding the private sectors interest in gaining a piece of the proverbial "education pie," the growth of charter schools and the interest in private management of charter schools is on the rise. However, very little empirical data have been collected specifically analyzing the overlap of charters and private contracting. While there are data regarding the number of charters managed by for profit entities available on a state by

state basis, to date there has only been incidental information available about this apparently growing phenomenon.

Methodology

Research Site

Massachusetts has experienced a relative surge of charters awarded to private management firms with 5 of a total of 25 charter schools currently being managed by private firms and expansion anticipated to 9 of 37 by fall of 1998 due to additional schools opening. This research focuses upon the educational philosophy and operations of The Edison Project and the Sabis School Network, hereafter referred to as "Edison" and "Sabis". Edison and Sabis were selected due to the fact that they each operate two charter schools in Massachusetts and have the most experience in terms of number of years operating charter schools in the state. Edison manages two charter schools in the state of Massachusetts, the Boston Renaissance Charter School in Boston and Seven Hills Charter School in Worcester. Sabis International currently operates two charter schools in the state of Massachusetts, the Sabis International Charter School in Springfield, and the Somerville Charter School in Somerville.

Data Source

I used descriptive case study methodology to examine the linkage of charter schools and EMO's in Massachusetts (Yin, 1994). Data collection consisted almost entirely of primary and secondary document reviews. See Table 1 for a list of documents reviewed. I collected

documents from the Massachusetts State Department of Education, the individual charter schools, Edison and Sabis and various education publications and the popular press.

To determine how private management firms are gaining contracts with charter schools in Massachusetts, I studied the state charter school legislation, regulations and application. The legislation and corresponding regulations outline specific boundaries in which charters operate and how individuals or groups apply for charters. The application reflects how the law and regulations are put into motion. I paid particular attention to language authorizing sub-contracting and accountability measures for contractors' performance. Additional documents reviewed included memorandums and forms pertaining to the application process produced and distributed by the Massachusetts Department of Education and the state Charter School Resource Center located at the Pioneer Institute. I periodically reviewed the Massachusetts State Department of Education's World Wide Web site during the course of the research to gather information about charter schools in Massachusetts. Examples of documents available on the web are explanations of the meaning of the two different charters available, press releases about the charter school application process and applicant pool, and a listing of all the charter schools in the state.

To determine why private management firms' contracts with charters are growing in Massachusetts in relation to other states, I analyzed secondary data from the ever increasing research on charter schools. The secondary documents included Federal and State Department of Education charter school reports, the Charter School Workbook by the Center for Education Reform, reports from the Hudson Institute and the U.S. Department of Education on charter

Table 1

Document Review
Primary Documents
1995- 1996 Annual Report of the Sabis International Charter School. Springfield, MA.
1996- 1997 Annual Report of the Sabis International Charter School. Springfield, MA.
1996- 1997 Somerville Charter School. Annual Report.
Sabis School Network NEWS.
1995 - 1996 End of the Year Report on the Boston Renaissance Charter School.
1996 - 1997 End of the Year Report on the Boston Renaissance Charter School.
Boston Renaissance Charter Public School: Financial statements, June 30, 1996.
1996-1997 Seven Hills Charter School, Annual Report.
Annual Report on School Performance: December, 1997, Edison Project.
Application for a Public School Charter, Massachusetts Department of Education.
Charter School Law and Draft Regulations, Massachusetts Department of Education.
Sabis International Web Site (http://www.sabis.net).
Edison Project Web Site (http://www.edisonproject.com).
Massachusetts Department of Education: (http://www.doe.mass.edu).
Secondary Documents
The Massachusetts Charter School Initiative Report. MA Dept. of Education.
Test Result from Massachusetts Charter Schools: A Preliminary Study, MA Dept. of Education.
Charter School Workbook: Center for Education Reform.
Charter Schools in Action: A Hudson Institute Project.
A Study of Charter Schools: First Year Report. U.S. Department of Education.
Charter School Roadmap: National Conference of State Legislatures.

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schools, and various education and mainstream media articles pertaining to the current status of charter schools in Massachusetts and across the nation.

To determine how the private management firms are operating the charter schools in Massachusetts, I studied two firms and developed a profile of their education philosophy and model. I selected the two firms because they received charters in the first round of applications in the state in 1994 and because they each operate two schools in the state. Documents reviewed include: individual charter applications, annual reports, curriculum guides, parent handbooks, and promotional materials produced by the two firms to learn how the two firms run their respective schools. In addition to the documents listed in Table 1, numerous Massachusetts Department of Education documents tracking charter schools and their student performance were reviewed and contributed to the profile of the two management firms. Where available, largely dependent upon duration of management, student achievement data are also included in the analysis. The school profiles are not exhaustive descriptions of the four individual schools but rather snapshots of the schools with respect to the firm's education models. The purpose of the profiles is to develop an aggregate understanding of each firm's education program based upon their management of schools in Massachusetts.

The various federal, state and local sources were triangulated to compare and corroborate information and identify areas that needed further documentation. Where necessary, I made targeted follow-up telephone calls to state legislative staff and EMO staff to clarify inconsistencies or ambiguities. The phone calls were not interviews but short specific discussions aimed to clarify particular points. For example, the initial Massachusetts legislation does not contain language

regarding start-up funding for charters. However, analysis of the various school's financial reports indicated that each school received federal and/or state start-up grants. Conversations with state Department of Education and state legislative staff clarified that all charters receive start-up funds from state discretionary grants programs.

Data Analysis

Data analysis consisted of carefully reviewing the primary and secondary documents for information pertaining to the substance of the Massachusetts state charter legislation and Edison and Sabis management techniques and academic program. The Massachusetts charter legislation contains specific language that authorizes sub-contracting with private EMO's.

I studies school documents information is grouped together by the thematic codes of: school governance, school day/year, curriculum and instruction, assessment and accountability, teacher policy, student outcomes and unique characteristics. I used the categories to develop profiles of Edison and Sabis in order to gain an understanding how contracting materializes in practice. I used the narrative profiles to draw preliminary conclusions about the operation of charter schools by EMO's versus more traditional non-profit entities as documented by the growing body of research regarding charter schools and to develop policy implications.

Conducting a descriptive case study using almost solely documents for data has inherent controls for bias yet limits the potential richness of data collected. By analyzing primary and secondary data, the researcher controls for researcher bias that may occur in the process of conducting interviews and observations. However, document reviews alone do not allow for a more three dimensional understanding of school culture or school environment. The biases

present in documents based upon the roll or opinion of the authors is controlled for through triangulation of data. For instance, the academic plans proposed by Edison and Sabis in their separate charter applications are compared and contrasted to their annual reports and numerous articles written about the four schools they respectively manage.

Findings

Massachusetts Charter School Legislation

In 1993, the Massachusetts legislature passed a large reform package called the Education Reform Act. Among a number of initiatives including new rigorous standards and corresponding assessments, the Act authorized up to 25 charter schools to open in September of 1995 (Massachusetts Department of Education, 1993). The Massachusetts law is characterized as a "strong" charter law based upon what the law allows and does not allow as outlined in the following passage (Bierlein, 1997, Center for Education Reform, 1997; Nathan, 1996). The legislation specifically states:

> The purposes for established charter schools are: (1) to stimulate the development of innovative programs within public education; (2) to provide opportunities for innovative learning and assessments; (3) to provide parents and students with greater options in choosing schools within and outside their school districts; (4) to provide teachers with a vehicle for establishing schools with alternative, innovative methods of educational instruction and school structure and management; (5) to encourage performance-based education programs and; (6) to hold teachers and school administrators accountable for students' educational

> outcomes. Persons or entities eligible to submit an application to establish a charter school shall include, but not be limited to, a business or corporate entity, two or more certified teachers or ten or more parents. Said application may be filed in conjunction with a college, university, museum or other similar entity (Massachusetts Charter School Law, M. G. L. Chapter 71, Section 89, June 18, 1993).

In the spring of 1994, 64 groups, including community foundations, parents, and teachers, applied for charters in Massachusetts (Nathan, 1996). In September of 1995, Massachusetts' first 15 charters opened enrolling a total of approximately 2,600 students (Massachusetts Department of Education, 1997c). By spring of 1997, 22 of the 25 authorized charters had been awarded. The charters generally received some start-up funds made available through federal and state discretionary grant programs.

The 1993 Education Reform Act was amended in 1997 modifying some of the language pertaining to charter schools and raising the charter school cap by 100% to a grand total of 50 allowable charters. Amendments pertaining to charter schools in the 1997 bill designated two different kinds of charters, Horace Mann and Commonwealth and also refined who could apply for a charter.

The 1997 Education Reform Act outlines how charters are to be awarded and evaluated. Following is a brief summary of the amended legislation's language that outlines charter school boundaries and the language that specifically allows for sub-contracting with for-profit entities[1].

Chartering authority.

The primary difference between the two types of charter schools authorized in the amendments is who is authorized to approve the charter. Horace Mann charters are "conversion" schools that were formerly public schools or are part of a public school that must be approved by a local school committee. Horace Mann charters must also be approved by the local collective bargaining unit, typically the local teacher's union, but are operated and managed by a board of trustees independent of the approving school authority. Commonwealth charter schools are new schools that operate independent of any local school committee, are managed by a board of trustees and receive their authority from the State Board of Education. (Massachusetts Department of Education, 1997a). The State Board of Education is appointed by the Governor and individuals hold their position for a term of five years (M.G.L. Chapter 15, Section 1E).

Charter applicants.

Non-profit business or corporate entities, certified teachers and parents are eligible to submit a charter application. The 1993 legislation allowed "private corporate entities" to receive charters but the 1997 amendments specifically state that private for-profits entities cannot receive a charter. However, retained from the earlier legislation, the law specifically states that charter

[1]For a more thorough analysis of the entire MA Charter School Legislation and other states' charter legislation see: Center for Education Reform (1997). The Charter School Workbook , Washington, DC. Author. (www.cer.org) or National Conference of State Legislatures. (in press). The Charter School Roadmap , Denver: CO: Author.

school boards may contract a "substantial portion" of their school to private contractors. The legislation allows for subcontracting but there is no language outlining how contracts may be arranged or mandating competitive bidding procedures. Specifically prohibited from applying for a charter are for-profit business or corporate entities and private and parochial schools. Private EMO's enter the relationship as sub-contractors hired by the board. The new language inserts a layer of accountability between private contractors and the local board of education. If private contractors can be awarded a charter then should they default, they are only accountable to themselves and the state board. However, if there is a local chartering authority to whom the private contractor must report, there is presumably additional accountability and protection for the students enrolled in the school.

Charter application process.

Charters are granted in Massachusetts based upon competitive applications in response to a public call for proposals. The applications are evaluated by the Department of Education based upon the following criteria: mission statement, statement of need, education program, accountability, school environment, enrollment policy, leadership and governance, capacity, facilities, a day in the life of a student, budget, fiscal management and human resources, and action plan. Examples of components of the individual criteria that may be of particular interest to private management firms able to draw upon previous management experience are: "demonstration of a management structure and plan that enables the charter school to achieve the goals and mission set forth in its charter... and ability of the charter school to administer its educational programs, school operations, and finances effectively" (Massachusetts Department of

Education, 1997b, p. 27 -28). Final proposals are evaluated by the state board of education and a technical review panel (Massachusetts Department of Education, 1997b).

Finance.

Education dollars travel with charter school students and the school receives a district average per-pupil allotment. The zoned neighborhood district in which the student was previously enrolled has a three year transitional decline in funding to compensate for the loss of students. In year one, the sending district still receives 100% of the student allocation and in years two, three and four they receive 60%, 40%, and 0% respectively (Massachusetts Department of Education, 1997a).

Horace Mann charter schools receive their budget from their local district while Commonwealth charters receive money directly from the state[2]" (Massachusetts Department of Education, 1997b, p. 17). Federal and state money in the form of grants for planning or start-up are available and many charters have sought out support from private donors to assist with initial costs.

Assessments.

Massachusetts is currently in the process of implementing new state content standards and companion assessments. Until the new assessments are fully implemented, evaluation of charter school students performance is based upon traditional standardized test such as the IOWA Test of Basic Skills. All public schools, including charter schools, in the state of Massachusetts must

[2] If the district where a student lives spends below its so-called "foundation budget," the payment to the charter school will equal the sending community's average cost per students. If the sending community spends above its foundation budget, tuition will equal the average cost per student in either the community in which the charter school is located or the community where the student lives, whichever is less. (Massachusetts Department of Education, 1997b p. 17.).

participate in a prescribed testing program (Massachusetts Department of Education, 1997d). All fourth; eighth and tenth grades students will complete the Massachusetts Comprehensive Assessment System (MCAS) once it is operational in the 1998-1999 school year. The MCAS is a new assessment, replacing the Massachusetts Educational Assessment Program or MEAP, based upon the newly implemented curriculum framework standards (Massachusetts Department of Education, 1993; 1997d; 1997e).

Accountability mechanisms.

Charters are granted for a five year period subject to annual reporting and monitoring. In addition to the state mandated student assessments, all charter schools will be monitored by the state through formal site visits and self-generated annual reports. The annual report to the Commissioner of Education must address: (a) discussion of progress made toward the achievement of the goals set forth in the charter; (b) a financial statement setting forth by appropriate categories, the revenue and expenditures for the year just ended. (M. G. L. Chapter 71, Section 89). In addition to the Commissioner, the annual report is to be submitted to "each parent or guardian of its enrolled students, and to each parent or guardian contemplating enrollment in that charter school" (M. G. L. Chapter 71, Section 89).

The charter legislation identifies three broad questions that must be addressed as a means to evaluate charter schools and for charter renewal: 1) is the academic program a success, 2) is the school a viable organization, and 3) is the school faithful to the terms of its charter? (M. G. L. Chapter 71, Section 89). According to the Associate Commissioner for Charter Schools, Scott Hamilton, academic success is measured using "some 'credible' manner of assessment.

Standardized assessments, portfolios and juried assessments using established rubrics are all acceptable" (Hamilton, 1998). More intensive site-visits and school reviews are conducted every five years as schools seek to renew their charters.

Current Status

There are currently 24 charter schools operating in the Massachusetts. The Edison and Sabis schools all received their charters prior to the 1997 amendments and are therefore all considered Commonwealth charters. However, the Sabis school in Springfield is in fact a converted public school.

In February 1998, the Massachusetts State Board of Education announced that 8 new Commonwealth and 4 new Horace Mann charters had been granted (Massachusetts Department of Education, 1998). Four of the 8 new Commonwealth Charter Schools were awarded to boards of trustees that plan to contract with private management companies (Hart & Zuckerman, 1998).

The most recent aggregate data available are from the 1996 Massachusetts Charter School Initiative Report (Massachusetts Department of Education, 1997c). Highlights of that report are in Table 2.

Why Massachusetts?

As of September 1997, private for-profit contractors are managing or are approved to manage charter schools in Arizona, Colorado, Illinois, Massachusetts, Michigan, Minnesota, New Jersey, and North Carolina (CER, 1997; Stecklow, 1997). Massachusetts has "strong" charter school legislation. However, other states with "strong" legislation such as Delaware, the District of Columbia, Michigan, and Arizona have not all experienced the same amount of growth in

Table 2.

MASSACHUSETTS CHARTER SCHOOL CHARACTERISTICS

22 schools currently opened	9 elementary 4 elementary/middle 4 middle 4 high schools 1 K - 12
Charters application submitted 1994-1996	123
Schools requiring school uniforms	8
Schools with extended day	19
Schools open longer than required 180 days	12
Average school size for 1996-1997 school year	238
Student's enrolled in charters 1996-97	5,465
Enrollment as a percentage of state public school population	.06%
Percentage representing racial and ethnic minorities	44%
Percentage with Individualized Education Plans	12%
Percentage who are language minorities	15%
Percent of certified teachers	77%
Average teacher/student ratio	13:1
Teacher Salary Range	$22,000 - $60,000 (State range $19,562-$60,594)
Average State tuition per student	$6,073
Source: The Massachusetts Charter School Initiative Report: 1997	

private management in proportion to the number of state charters granted[3]. And, other states with language specifically authorizing private contracting have not experienced any such partnerships with charter schools (e.g. Kansas). According to personal discussions with Massachusetts state legislative staff, education policy analysts, and EMO staff, the key components of private management of public charter schools identified are: 1) who is eligible to apply for charters; 2) who is authorized to approve charters and 3) the amount of per pupil allocation paid to charter schools. On paper Massachusetts and other states meet these basic criteria but growth of private

[3] It is important to note that time is a practical factor. Some states simply passed charter laws before other states. For instance, the District of Columbia has what is considered one of the strongest charter laws in the nation but does not have any charters managed by for profits at this time but is predicted to witness of significant number of these partnerships as more charters are approved.

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contracts is more complicated than simply the written law. Close ties among top policy makers in the governor's office, the state Department of Education and the Massachusetts Charter School Resource Center have facilitated the development of charters and private contracts in Massachusetts (Vine, 1997).

Massachusetts's high per-pupil allocation is also attractive to private management companies. During a personal discussion, an Edison official stated that per pupil allocation and district flexibility, whether through charter legislation or straight contracting, are pivotal to Edison attempting to enter a market. The per pupil allocation should be at least $5,500 for Edison to consider entering a district (Brody Saks, 1995).

One of the tools charter school opponents have used to slow down the growth of charter schools is to limit start-up funds for charter school organizers. The lack of public funds and in particular start-up and capital funds may encourage the coupling of charters and private management firms. National EMO's such as Edison and Sabis may come equip with greater capital resources, credibility, and leverage for capital loans than their more grass-roots charter school peers.

Massachusetts is an attractive market for EMO's because 1) the charter legislation is permissive, 2) there is support in the upper echelons of government and 3) the per-pupil allocation is high enough to support the basic educational programs developed by the private firms. The infrastructure (i.e., state charter school office and the Charter School Resource Center) built around the charter legislation has helped grow charters in the state including charters managed by private, for-profits. However, there is still strong opposition to charters and specifically charters managed

by for-profit entities and controversy over charters in Massachusetts continues (Hamilton 1998; Hart, 1998a; Hart, 1998b).

Edison and Sabis Profiles

Edison and Sabis currently operate 25 (The Edison Project, 1997), and 5 (Sabis School Network, 1997) schools respectively nation wide. Edison's domain is solely American schools while Sabis is an international firm founded in Lebanon and currently operating 12 schools outside the United States. Based upon primary and secondary documents by and about the two firms, I developed the following profiles of their educational philosophy and operations. I present Information pertaining to school governance, structure of the school day, curriculum and instruction; assessment and accountability, teacher policy, student outcomes and unique characteristics. Background data pertaining to the four schools are in Table 3.

Charter schools are not pedagogical innovations but rather institutional innovations (Public School Choice Conference, 1998). This distinction is evident in the profiles of the Edison and Sabis schools. While it is important to understand what EMO's are doing in their individual schools, for the most part, their greatest contribution appears to be their ability to implement particular teaching and management strategies rather than the actual development of entirely new pedagogical tools.

Edison and Sabis share operational commonalties due primarily to the structure of the Massachusetts charter school law. For instance, both firms have clearly articulated, standards based education curricula, a clearly defined assessments and evaluation process and an open

Table 3 School Characteristics

	Boston Renaissance *Edison*	*Seven Hills* *Edison*	*Springfield* *Sabis*	*Somerville* *Sabis*
Grades	K - 8	K - 7	K - 8	K - 8
Enrollment	1, 067	520	600	450
School Day	K - 5 8:00-3:15 6-8 7:45 - 3:30	7:45- 3:15, Extended 3:15 - 6:00	8:55 - 3:40 Extended 7:15 - 6:00	8 - 3:00 Extended 7:00- 6:00
School Year	K -5 201 6-8 198	187 pupil days, 190 for 1997 - 1998 205 for 1998 -1999	180 pupil days 188 teacher days	September 3 - June 30
Projected Expansion	K - 12	n/a	K - 8 (1997-1998) K-12	K-12
Facility	Renovated University of Massachusetts high-rise Building	Renovated public elementary school	Converted public school	Former private school building
Number of Teachers	74 full-time teachers 7 tutors and aides 2 counselors 12.8 to 1 ration	36 Full-time teachers, 28 to 1 ratio	55	41.5 Full-time equivalent teachers and aides. 10.6 to 1 ratio
Transportation	Transportation provided to students living in district	Transportation provided by Worcester public schools	Transportation provided by Springfield public schools	Parents provide own transportation
Categorical Programs	Special Education: 12.46% Free/Reduced Lunch: 50.98% LEP: 8%	Special Education: 14 % Free/reduced lunch: 47% LEP: 12%	Special Education: 8% Free/Reduced Lunch: 54% LEP: 1%	Special Education: 26 students, 8 additional under evaluation Free/Reduced Lunch: 35% LEP: 25 students
Student Recruitment	Community outreach, door-to-door, civic and neighborhood associations, media	n/a	Springfield Annual School fair, publicize in Schools of Choice handbook, community outreach	Newspaper advertisements and press releases regarding upcoming admission lotteries.
Assessments Used	Massachusetts Educational Assessment Program (MEAP) Common Assessments	Stanford Achievement, IOWA, MAT Edison Assessments: Structured Portfolio	Sabis curriculum assessments and national standardized tests and Iowa Basic Skills.	Sabis curriculum assessments and Comprehensive Test of Basic Skills (CTBS) and Iowa Basic Skills.

Source: Individual School 1996 - 1997 annual reports

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admissions process due to requirements stemming from the law. However, within this general structure, the two firms have distinct educational philosophies that set the tone for the charter schools they operate.

Edison Project Profile

> The Edison School design is highly ambitious, encouraging fundamental change in schools. We propose a rich and challenging curriculum for all students; optimum working conditions for all staff; more effective use of items by students, teachers, and administrators; technology for an information age; and careful assessment that provides real accountability (The Edison Project, 1994a, p. 6).

The Edison Project has developed a school design based upon "world-class standards" that outline high expectations for students aimed at teaching them the skills they will need to be productive citizens. The student standards are the core of the Edison model that ties the school curriculum, instruction, and assessment (Edison Project, 1994a, 1994b). Edison has divided their standards into five domains: humanities and art, mathematics and science, character and ethics, practical arts and skills, and physical fitness and health (Boston Renaissance, 1997).

Governance

Massachusetts charter legislation dictates that charter schools are operated by a non-profit board of trustees. The Boston Renaissance and Seven Hills boards of trustees individually hired the Edison Project to manage the day to day operations of their charter schools. In both instances, the relationship was formed before applying for the charter. Edison selects headmasters

(principals) to manage the schools much like traditional public schools. Edison is accountable to the board as outlined in the management contract for operation of the school and student achievement. Steps the board could take to dismiss Edison if they fail to perform are outlined in a management agreement and center on fulfilling obligations stipulated in the charter application.

Essentially by definition as a charter, Edison schools are considered to be site-based managed. However, Edison headquarters in New York City functions as a central or administrative office would in a traditional public school district. Edison develops the standards and curriculum that teachers implement with limited school level control or flexibility.

In addition to student performance assessments, Edison schools assess overall school performance using explicit standards. For example, each year the headmaster and leadership team at Boston Renaissance assess their progress on; school organization, curriculum and instruction, assessment, technology and family and community (Boston Renaissance, 1997).

School Day

Edison schools are opened longer each day and each year than traditional public schools. As indicated in Table 3, Edison aims to operate their schools for more than 200 days each year. In addition, and similar to many public schools, Edison offers an extended day for students. Families pay a fee for the extended day program.

Curriculum and Instruction

Edison schools are divided into small "academies." Each academy has a unique primer outlining exactly what the expected standards are for the individual age group. The individual academy primers are the core of Edison' application to manage a charter school. Within each

academy are 90-120 student "houses" where students work in same-age and multi-age groups. Teachers "loop" in the primary and elementary academies so that students have the same teacher for all 3 years in the academy. Each house has 4 teachers and additional specialist teachers (The Edison Project, 1994a; 1994 b).

The curriculum is driven by Edison content standards and focuses upon reading, mathematics, science, character education, and thematic units designed to "apply lessons from different academic fields and make them come to life." The standards are taught using a combination of packaged and school developed programs. The Success for All Literary Program is used for reading/language arts and writing, and the University of Chicago's School Math Program, Everyday Math and Transitions are used for mathematics. Edison teachers, in cooperation with curriculum coordinators, are responsible for planning and implementing the standards in science, social studies/history, and Spanish. Accompanying the standards are guidelines to measure student performance by levels such as: "beginning," "developing," "proficient," and "exemplary" (Boston Renaissance, 1997, p. 5). An example of an Edison standard for the elementary academy is: "Demonstrate number sense about the value of large and small whole numbers decimals, and fractions. " and "Recognize and describe attributes of quadrilaterals, triangles, and various three-dimensional shapes. (The Edison Project, 1994b). Corresponding school objectives aimed to evaluate student proficiency in the standards as outlined in the Seven Hills Annual Report are: "By the end of the 1999/2000 school year, 90% of all students will be performing grade-level math; 80% of whom will demonstrate a proficient or higher level of grade-level performance in math" (Seven Hills, 1997).

Student's educational plans are individualized and articulated in a Quarterly Learning Contract (QLC's) signed by parents, students and teachers. The QLC' s are computerized narrative reports teachers complete on a quarterly basis to report student progress (Seven Hills Charter School, 1997). The QLC represents "the formal expression of an individualized set of expectations and obligations entered into by the school, the student and parents (The Edison Project, 1994a. p. 15). Each school is supplied with specially designed software for the QLC's.

Edison schools emphasize technology and provide every teacher and family with a computer. The firm operates a computer network called The Common for students, teachers, and parents at all their schools to foster effective communication in individual schools and the larger Edison community. According to Edison materials: "It is each person's virtual desk and place within the digital school community, accessible from any computer that is plugged into the network" (1994b, p. 19). Activities conducted through the Common include e-mail, conferencing, school announcements, parental chat rooms, and summer reading initiatives.

Assessment and Accountability

Edison monitors student performance at its schools through the administration of norm-referenced and criterion referenced assessments that are reported to the state and the general public in their annual reports. On a day-to-day basis Edison students are monitored through their portfolio and the QLCs and an electronic portfolio that teachers maintain and share with parents (The Edison Project, 1994a; 1994b). Faculty from Boston Renaissance and Seven Hills have collaborated with 12 other Edison schools nation-wide to develop a credible portfolio and performance-based assessment system (Massachusetts Department of Education, 1997d, p. 49). In

addition to working together to design the performance based assessments, Edison faculty regularly compare their evaluation of student performance to check reliability.

The Metropolitan Achievement Test - Series 7 and the Stanford 9 are both administered at Boston Renaissance in addition to the state mandated IOWA Test of Basic Skills, eventually the Massachusetts Comprehensive Assessment System (MCAS) and an Edison portfolio assessment system developed in cooperation with the Education Testing Service (ETS). Students at Seven Hills take the same assessments as those enrolled at Boston Renaissance with exception of the Stanford which is a Boston Public School mandate. In addition, each fall Seven Hills students in grades 2-5 take the Gata-McGinite.

Student Outcomes

In the preliminary report on charter school student performance, achievement gains are only assessed for charter schools that had administered two or more standardized tests cycles. Therefore, measurement of academic gains is available for Boston Renaissance but not for Seven Hills Charter School. Gains were found for Boston Renaissance students in grades 3 and grade 5. The baseline data for these two grades reveal that these students were performing below grade level in the fall of 1995 when Edison opened the school. By spring of 1996, students in these grades were at or above grade level (Massachusetts Department of Education, 1997d).

Teacher Policy

Teachers are employed on an annual basis and subject to dismissal by the principal . The principal is also employed on an annual basis and is subject to dismissal by their board of trustees and Edison. Edison provides professional development to teachers on the curriculum and provides

funds for teachers to attend in-services and content area specific national conferences such as national special education and national mathematics conferences. Edison provides centralized and site specific professional development to all partnership schools. The Boston Renaissance Charter School's daily schedule allows for 90 minutes a day for professional development. Edison is using their veteran teachers to train new Edison teachers. For example, 14 members of the Seven Hills Charter School presented at a conference for new Edison teachers last summer (Seven Hills Charter School, 1997).

Edison has an explicit career path for teachers consisting of resident teacher, teacher, senior teacher, and lead teacher based upon an individual's experience. Teachers are evaluated by the principal using performance standards for instruction. Indicators of instructional performance are: use of instructional time, using instructional resources, activating students, varying instructional formats, varying instructional grouping, classroom communication, classroom environment and routines, and adapting instruction (Seven Hills Charter School, 1997).

Unique Characteristics

In addition to the preceding description of the Edison model, a few characteristics unique to Edison or the individual schools are worth mentioning. Edison places a strong emphasis upon technology and parental involvement. A centerpiece of their program is the distribution of a computer to every teacher and family. Each classroom has three computers with CD-Rom and Internet capabilities in addition to a school computer lab. Edison installs telephones and voice-mail in every classroom. The school libraries are equip with computers and the latest software and CD-ROM's.

Parents or guardians of children enrolled in Edison schools are expected to take a very active roll in their child's education. For example, Boston Renaissance reported that over the course of the 1996-1997 academic year 9,000 volunteer hours were logged.

Facilities are a major challenge for all charter schools (Nathan, 1996; Finn, Manno, Bierlein, & Vanourek, 1997; U.S. Department of Education, 1997) and Edison schools are not atypical. Both Boston Renaissance and Seven Hills are engaged in fund raising and on-going facilities improvement. Boston Renaissance does not have any outdoor recreation space or a common cafeteria. Seven Hills is currently working towards making a playground that will be supported almost entirely by donated time and materials.

Boston Renaissance was cited for violating the rights of a student with disabilities leading to a finding of non-compliance of Section 504 of the Rehabilitation Act of 1973 in the fall of 1997. The finding of non-compliance stemmed from numerous mistakes the school made in providing educational services to a kindergartner with a disability (Schnaiberg, 1997a; Vine, 1997; Farber, 1998). Reports of the finding of non-compliance indicate that Edison was caught off guard with the diversity and quantity of students with disabilities that enrolled in their Boston school and unprepared to properly serve all students with disabilities (Schnaiberg, 1997a).[4]

Sabis International Profile

An idea that is central to the SABIS philosophy is that "any child can learn." One premise of the SABIS instructional method is that if a child fails to

[4] For an in-depth analysis of Edison's citation for non-compliance see: Farber, P. (1998). The Edison Project Scores - and Stumbles - in Boston. Phi Delta Kappan, V79, n7, p506 - 511.

> master required material, this constitutes a failure of teaching, not learning. SABIS has created not only a comprehensive academic curriculum for grades pre-K though 12, but also an instructional methodology that is designed to increase a teacher's success rate. The two elements are interconnected and mutually supportive (Somerville Charter School Annual Report, 1997, p. 10).

Sabis is an international firm that brings a highly structured and prescribed school program to their school. In a recent article in the Boston Globe, Sabis' US marketing manager explains that cutting out almost all elective courses cuts costs and enables students to work on the basics: "You can't do a good job if you try to do everything" (Ackerman, 1998). Sabis' philosophy focuses on discipline, structure, respect and responsibility.

Governance

The Springfield and Somerville boards of trustees individually hired the Sabis to manage the day to day operations of their charter schools. In both instances, the relationship was formed before applying for the charter. The Somerville board is comprised almost entirely of founding parents. The Sabis school leader is called the Director and the other primary administrators are the Academic Director and the Business Manager. Sabis schools are unique because student prefects are involved with various responsibilities throughout the schools including school management.

School Day

The two Sabis schools operate traditional length schools days and school years with extended day programs available to students for a set fee. Extracurricular activities are an important component of the Sabis curriculum and categorized as either social/extracurricular

functions, student leadership, or volunteer opportunities (Somerville Charter School Annual Report, 1997).

Curriculum and Instruction

Sabis operates each classroom as a small "school within a school." The curriculum is heavily weighted with English and mathematics instruction and all students enroll in daily Spanish instruction starting in kindergarten. The curriculum is geared to assure that "1) all students will receive a well-rounded education that emphasizes mastery of English, mathematics, and world language (Spanish), and 2) students will be prepared to qualify for and to succeed in college, and will develop an excitement for lifelong learning" (Somerville Charter School Annual Report, 1997, p. 9). In addition, there is a strong focus upon high efficiency and high standards that is a recurring theme in the firm's literature.

Instruction is based upon content "points" or objectives. In the point system, teachers must answer for every lesson the question "What are the words, skills, definitions, etc. that the pupils will know at the end of the period that they did not know at the beginning" (Somerville Charter School Annual Report, 1997, p. 10). Daily lessons are structured around the articulated goals or "points" that must be mastered before students can progress to new material. Teachers use "pacing" charts to help guild them through the curriculum which is in turn closely aligned with the Sabis assessment system. In contrast to the Edison Project model that depends heavily upon individualized goals and technology, the Sabis schools draw upon more traditional Socratic methods of instruction based upon a well defined and closely followed curriculum and very structured classroom time. With the exception of kindergarten, all Sabis classrooms are organized

in rows. Student "prefects" are utilized to facilitate cooperative learning that supports the point system. Prefects are high performing students selected to be peer teachers (Springfield International Charter School Application, 1995; Springfield International Charter School Annual Report, 1996; 1997; Somerville Charter School Annual Report, 1997).

Assessment and Accountability

Testing is an essential component of the Sabis college-preparatory curriculum. Students entering either of the Sabis schools are initially tested in mathematics and English. All students performing below grade level are invited to attend a free remedial summer school course. Nearly 25% of the student body at the Springfield school participated in 1996 (Springfield Charter School, 1996). The Academic Monitoring System (AMS), an assessment developed specifically for all Sabis schools, is administered weekly to assess student's progress. Students are tested on the central components or "points" of each curriculum unit on a weekly basis. Testing is administered by someone other than their teacher and the teacher is not aware of what is on the test. In addition to the weekly AMS assessment, Sabis administers the Continuous Assessment Testing, (CAT) that is administered once during each of the 3 terms.

Tutoring is provided immediately if indicated by performance on the various assessments. The tutoring is designed to be a short term strategy to bring the student back up to speed in their deficient area as opposed to a long term pull-out program. Tutoring classes are called "intensives" and provide students "twice the class time of regular classes in these subjects, and are designed to allow the students to catch up and rejoin their regular classes" (Somerville Charter School, Annual

Report, 1997, p. 10). In addition to the Intensive Program, Sabis offers an enrichment program for gifted students.

Both of the Sabis schools in Massachusetts administer the IOWA Test of Basic Skills, eventually the new state mandated MCAS and the Sabis proprietary testing system. In addition, students at the Somerville school take the California Test of Basic Skills (CTBS). Sabis does not use portfolio assessment.

Student Outcomes

Student performance data were reported by the state of Massachusetts for Springfield but not Somerville due to the fact that at least a baseline and comparison tests were needed for evaluation. In a preliminary report of charter school student performance in Massachusetts, the Springfield school showed the greatest gains of any charter school in the state. Baseline data on student performance taken in the fall of Sabis' first year found that on average, students in grades 2-6 tested below grade level in every subject. After seven months of Sabis management, the same students had increased an average of 1.5 grade equivalents and students in grades 2, 4, 6 and 7 were performing at or above grade level in every subject. Students in 3rd and 5th grade also showed improvement but performed slightly below grade level (Massachusetts Department of Education, 1997d).

Teacher Policy

Sabis schools are staffed with administrators, teachers, and classroom aides for the kindergarten and Intensive classes. Teachers are trained in the Sabis curriculum and instruction process and supported through site visits to other Sabis schools and on-site training provided by veteran Sabis teachers. Both Sabis schools report having a large pool of applicants from which to select their teachers. Teachers were evaluated on their use of the point and prefect system and the "percentage of time teaching versus [student] discipline" based on observations by administrators (1997, p. 31). A performance objective at the Springfield school is that all teachers use "95% of each class for academic instruction" (1997, p. 32). The main focus of professional development in both Sabis schools is learning how to use the "point" and "prefect" system of instruction.

Unique Characteristics

Similar to Edison, the Sabis model and Sabis schools have a number of unique characteristics. Sabis introduces a degree of international awareness due to the schools' connection to schools around the world. For instance, the Sabis newsletter chronicles highlights of all their schools around the world as opposed to just their schools in the United States. In addition to their unique point and assessment system, Sabis has developed a distinct "Student Life Program" that strives to teach students discipline, responsibility, and respect. The central component of the Student Life Program is the student prefect system that rewards willing students with various responsibilities in the school. A prefect can be anyone:

> for an hour, a day, a week, or a whole school year - by volunteering to help with a school activity. Prefects in the fifth and sixth grades provide care and safety

> services by escorting kindergarten students from the drop off zone into their classrooms before school. Prefects make morning announcements on the public address system....Prefects volunteer as peer tutors and help teachers with routine classroom tasks (Somerville Charter School Annual Report, 1997, p. 19).

The prefect system is relatively fluid and aims to encourage students to excel by giving them responsibilities. The prefect system also has a hierarchy whereby students demonstrating noteworthy leadership skills are rewarded as head or senior prefects with increasing responsibilities in running the school and overseeing other prefects.

The Somerville school reported approximately 400 hours of volunteer service on the part of parents including their active involvement in school activities such as fund-raising and parent/teacher conferences.

Edison and Sabis

Each of the four schools have distinct characteristics related to their individual school building, student population, and larger community. However, the Edison and Sabis schools are distinctly Edison and Sabis schools. The heart of the Edison school is the school within a school or academy model and the use of technology. The heart of the Sabis schools is the very prescribed instructional methods built upon specific goals and objectives and the use of student prefects in cooperative learning arrangements. Edison and Sabis offer on paper what appear to be rigorous and exciting curricula for their students. All four privately managed schools report maintaining a long student waitlist and many applicants for available teaching positions. These early and superficial indicators may cautiously be interpreted to mean that students, parents and teachers

are satisfied with the school and word is spreading in their local communities even before meaningful student outcomes can be conducted.

It is premature to assess the relative merits of packaging an entire school model. Early indicators from Edison and Sabis' operations in Massachusetts demonstrate that these schools are at a minimum, worth additional examination. Having presented the legal framework fostering private management in Massachusetts and profiling two private firm's management of charters in the state, the next section will present a brief comparison to more traditional charters. In addition, conclusions and policy implications are presented for policy makers writing or amending charter legislation or weighing the potential opportunities and challenges of private management based upon data from one state.

Private Contracting Versus Non-Profit Management of Charter Schools

Comparing private managers to their public manager peers is not the central purpose of this research investigation but it is important to highlight some of the similarities and differences between the two different and fluid entities. It is also important to note that the only consistent characteristic of all charters schools is their unique character. Comparing charters managed by for-profits to other charters is an exercise is generalities rather than a precise comparison of private versus public management.

According to recent research, common characteristics of charter schools include: low student-to-staff ratios, small school and small class size, racially diverse student enrollment, personalized learning, interdisciplinary approaches that use "real-world" projects and integrate the school with the community, foreign language in the early years, and use of pre-packaged and

locally developed assessments (Finn, Manno, Bierlein, & Vanourek, 1997; Wohlstetter & Griffin, 1997; U. S. Department of Education, 1997). Charter schools generally have clear accountability measures and consequences due to their charters and a high degree of autonomy (Finn et al, 1997; Wohlstetter & Griffin, 1997; U.S. Department of Education 1997; Nathan, 1996). Challenges reportedly faced by many charter schools include; start-up costs, planning, cash flow, and recruitment, and political and regulatory burdens primarily experienced by charter schools that are converted public schools (U.S. Department of Education, 1997).

Based upon broad generalizations from four schools in Massachusetts, charters managed by EMO's are different than charters managed by other organizations and individuals across the country. The greatest differences appear to be in governance structure and size. Both Edison and Sabis have relatively prescribed governance structures and academic programs. While individual schools and classroom teachers may exercise varying degrees of autonomy, due to the fact that the school is managed by an outside contractor there is essentially a "central office" absent in other locally managed charter schools. Teachers and principals at Edison and Sabis schools report to the board of trustees and the private management firm leading to an additional layer in the governance hierarchy. The additional layer may actually increase rules and regulations while simultaneously functioning as a quality control mechanism absent in more traditional charters schools.

The Edison and Sabis charter schools in Massachusetts are larger than most charter schools across the country. Edison's Boston Renaissance Charter School is particularly large serving over 1,000 students in one building and typically characterized as one of the largest charter schools in

the country. The large size may be due in part to the private firms seeking to maximize their space and realize economies of scale. This is in contrast to many more traditional charter schools (i.e., operated by non-profit organizations) that serve 100-200 students.

Summary and Conclusions

Under increasing scrutiny, the billion dollar education industry is being closely monitored by the private sector for new investment opportunities. The coupling of charter schools and EMO's in Massachusetts suggests that charter school privatization is a growth industry loosely analogous to franchising. The growth of charter schools and accompanying growth of private management of charters during the last three years, represents an apparent new start for systemic school privatization. Public charters provide private contractors access to public schools previously limited by more traditional contract agreements. Based upon national data, it appears that the expansion of private management firm's operation of public education will be analogous to franchising public education in small school units. This is not to predict a McDonald's type explosion of cookie cutter schools but rather, to project that the lessons learned and management techniques developed by a firm in one state will provide managerial, financial and educational capacity for expansion into other states through charters.

The track record and fiscal stability demonstrated by the private firms to date address some of the greatest challenges reported by charter school pioneers. In a July 1997 report, the Hudson Institute identified 12 problems encountered by charter schools. Private contractors may have the potential to overcome a number of these problems thereby making themselves very attractive to

charter school boards. In particular are problems associated with facilities cost and leverage to access loans to purchase or renovate facilities; start up cash-flow; business acumen and managerial competence; and a solid, proven curriculum (Finn et al, 1997). Private management firms drawing upon previous experience managing schools have the potential to assist charter school founders overcome these challenges. For example, Sabis has been managing schools for over 100 years and states this prominently in their charter school applications and promotional material. Edison hired Benno Schmidt, former president of Yale University as their president. Sabis' long history and Schmidt's experience in academia may bring immediate credibility to the firms that may be difficult to replicate in charters managed by more grass roots community organizations. While the ability of Edison and Sabis to manage charters has yet to be proven, their history and reputation is an asset as they apply for charters and leverage to borrow money for capital expenses. Regrettably, the data available to date do not adequately detail how much financial capital and leverage Edison and Sabis brought to their respective schools in Massachusetts.

At this time, there are limited data revealing any substantive differences in the education provided by Edison and Sabis charters schools and their more locally based charter managers in the state of Massachusetts. This may be due in part to the fact that larger reform efforts such as state mandated standards and assessments are essentially dictating the boundaries in which charters may operate. Information from schools managed by Edison and Sabis in Massachusetts is some of the first available to date regarding the linkage of charter schools and for-profit managers. The growth of private management contracts in Massachusetts may be attributed to a permissive charter school legislation language, supportive political leaders, and sufficient per pupil allocation

to support the basic program of national, for-profit EMO's. Analysis of the Massachusetts law and the two firms' operations in the state provides two levels of insight. At the macro level, the state legal and regulatory issues related to for-profit management of charter schools provide a point of reference for states, districts, and private firms interested in fostering or preventing charter school privatization. At the micro level, the firms' operations in Massachusetts provide insight into the educational philosophy and day to day operations of two particular firms. One of the promises of market based reform is that competition will foster innovation, efficiency and accountability. Indicators point to a continuing expansion of EMO's operation of charter schools, but it is likely that they will not provide a magic bullet to educational reform but rather, one more option from a diverse menu of education restructuring options contemplated by public school managers. And, if state policy makers and school administrators are to make informed decisions regarding the relative merits of contracting in general and specifically individual contractors, they must be able to access information about how private-firms enter the market, manage schools and more specifically how they differ from their non-profit peers.

Policy Implications

Based upon the analysis of private management of charters in Massachusetts, five policy implications should be considered.

Uncertain Profits

Assuming that EMO's can successfully operate public charters and earn a profit, private contractors have the potential to essentially franchise effective school programs. However, it is

important to reiterate that these are unproven assumptions. To date, none of the private firms have reported earning a profit through management contracts with charters (Steeklow, 1997). Edison President, Benno Schmidt, has repeatedly stated that profit will not be realized until they attain the necessary "economy of scale" from managing enough schools. Companies such as Edison and Sabis have demonstrated on a very limited basis that they can develop a basic template of school management and replicate it in multiple settings. Aside from the fact that they seek to earn a profit and their management reach extends beyond curriculum and instruction, they are not that different from school reform programs such as the Coalition for Essential Schools or the New American School Development Corporation that have been implemented in schools across the country. However, the fact that they do seek to earn a profit and they are responsible for nearly all aspects of managing a public school makes them unique. Policymakers should not necessarily shy away from private contracts out of reflex but should carefully investigate the specific costs and benefits of a partnership to assure that it is guided by the best interests of students.

Charter Language: Clarity of Purpose

The evidence from Massachusetts and other states demonstrates that there is strong interest in the private sector to capitalize on the education market. Policy makers must be cognizant of problems and possibilities of private contracting when writing charter laws, developing charter applications and granting charters. Policymakers should not be surprised when private contractors gain access to public schools through contracts to manage charter schools. Charter legislation must specifically state who is and who is not eligible for a charter and make explicit policy regarding sub-contracting significant portions of school services. In addition, if legislators and

education policy makers are interested in exploring private management, they must see that language governing rolls and expectations is informed and explicit.

Overcoming Charter School Start-Up Challenges

Some of the most significant barriers charter school founders have reported to date are; inadequate start-up funds, capital for facilities, resistance and regulations from local and state actors and federal special education laws (Center for Education Reform, 1997, Nathan, 1996; McLaughlin, Henderson, & Ullah, 1996). Private contractors may become increasingly attractive to charter school groups seeking to develop an innovative new school but lacking the capital and managerial skills to start a school from scratch. Private contractors that promise to provide up-front capital and a school structure in cooperation with the local charter group will most likely increase in popularity.

Special Education Learning Curve

The federal and state legislation governing the education of students with disabilities (e.g., IDEA, Section 504, ADA), is complex and challenging. Charter schools have experienced difficulty in adequately addressing the needs of students with disabilities (Schnaiberg 1997a, McKinney, 1997; Lange, 1996; McLaughlin et al, 1997; Faber, 1998). The overlap of charter schools and private contracting has the potential to improve special education but simultaneously runs the risk of exposing students with disabilities to cost cutting measures by firms unfamiliar with special education rules and regulations.

Private contractors with schools in multiple states may develop a special education compliance expert position responsible for educating individual charter school personnel about

state and federal special education rules and regulations. Such an expert would save each individual charter school from essentially reinventing the wheel in terms of learning and implementing special education practices thereby removing the problems associated with a learning curve as demonstrated by Edison in Boston. Depending upon individual charter school laws, the local school district may provide special education services or technical assistance to fledgling charters but this is far from guaranteed in states with diverse charter laws. In addition, the relationship between local schools and new charter schools is frequently less than collegial therefore limiting the amount of assistance available to charter school founders.

The flip side for special education is that it is one of the higher cost programs in public schools and frequently looked to for cost cutting measures. Early privatization efforts in Baltimore in which one firm managed 11 public schools resulted in non-compliance with IDEA. (Richards, Shore & Sawicky, 1996; Williams & Leak, 1995). The schools in Baltimore were not charter schools but introduced to demonstrate the inherent risk of non-compliance when cost rather than quality of services guide policy making.

Fostering Efficiency Through Competition

Finally, a key assumption underlying private contracting is the notion that it will foster efficiency. However, evidence from Massachusetts indicates that while charter schools have "competitors" for students, EMO's are not competing for contracts in the economic sense. Rather, contractual partnerships are formed in spirit prior to applying for charters rather than afterwards with an eye towards finding the highest quality services for the lowest costs. Therefore, for-profit management of charters is going to continue, policymakers must take steps to infuse an appropriate

amount of competition into the actual contracting process. A potential solution would be granting charters based upon the Board of Trustees' intent to enter into a subcontract based upon the quality of bids submitted from a predetermined minimum number of private managers and within specific boundaries the board determines ahead of time.

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